

Why GAO Did This Study

A careful consideration of federal pay is an essential part of fiscal stewardship and is necessary to support the recruitment and retention of a competent, successful workforce. Recent studies comparing the compensation of federal workers to workers in other sectors have produced varying findings. To improve understanding of federal pay setting, GAO was asked to examine (1) how annual pay adjustments for the GS system are determined; (2) the extent to which the pay increases and awards available to GS employees recognize individual performance, and how the Office of Personnel Management (OPM) provides oversight of pay increases and awards; and (3) how selected studies compare federal and private pay and total compensation and the factors that may account for the different findings.

GAO reviewed legislation, OPM regulations, executive orders, and federal agency documents; analyzed OPM data; and interviewed agency officials. GAO reviewed six studies that met three criteria: issuance since 2005, original analysis, and focus on federal and private sector compensation. GAO compared and contrasted the differences between their approaches, methodologies, and data sources, and interviewed the studies' authors, people with expertise in compensation issues, and agency officials responsible for the data. GAO provided drafts to agencies and study authors for review and comment and made technical changes as appropriate in response to comments received. One study author provided written comments concurring with the findings. GAO is not making any recommendations in this report.

View [GAO-12-564](#). For more information, contact Robert Goldenkoff at (202) 512-6806 or goldenkoffr@gao.gov.

FEDERAL WORKERS

Results of Studies on Federal Pay Varied Due to Differing Methodologies

What GAO Found

Annual pay adjustments for the General Schedule (GS), the pay system covering the majority of federal workers, are either determined through the process specified in the Federal Employees Pay Comparability Act of 1990 (FEPCA) or set based on percent increases authorized directly by Congress. GS employees receive an across-the-board increase (ranging from 0 to 3.8 percent since FEPCA was implemented) that has usually been made in accordance with a FEPCA formula linking increases to national private sector salary growth. This increase is the same for each employee. GS employees also receive a locality increase that varies based on their location; there were 34 pay localities in 2012. While FEPCA specifies a process designed to reduce federal-nonfederal pay gaps in each locality, in practice locality increases have usually been far less than the recommended amount, which has been over 15 percent in recent years. For 2012, when there was a freeze on annual pay adjustments, the FEPCA process had recommended a 1.1 percent across-the-board increase and an average 18.5 percent locality increase.

GS employees are eligible to receive three types of pay increases and monetary awards that are linked to individual performance appraisals: within-grade increases, ratings-based cash awards, and quality step increases. Within-grade increases are the least strongly linked to performance, ratings-based cash awards are more strongly linked to performance depending on the rating system the agency uses, and quality step increases are also more strongly linked to performance.

Findings of selected pay and total compensation (pay and benefit) comparison studies varied due to different approaches, methods, and data. Regarding their pay analysis, the studies' conclusions varied on which sector had the higher pay and the size of pay disparities. However, the overall pay disparity number does not tell the whole story; each of the studies that examined whether differences in pay varied among categories of workers, such as highly or less educated workers or workers in different occupations, found such variations. Three approaches were used to compare pay:

- **human capital approach** (3 studies)—compares pay for individuals with various personal attributes (e.g., education, experience) and other attributes (e.g., occupation, firm size);
- **job-to-job approach** (2 studies)—compares pay for similar jobs of various types based on job-related attributes such as occupation, does not take into account the personal attributes of the workers currently filling them; and
- **trend analysis approach** (1 study)—illustrates broad trends in pay over time without controlling for attributes of the workers or jobs.

When looking within and across the studies, it is important to understand the studies' differences in approach, methods, and data because they impact how the studies can be interpreted. The differences among the selected studies are such that comparing their results to help inform pay decisions is potentially problematic. Given the different approaches of the selected studies, their findings should not be taken in isolation as the answer to how federal pay and total compensation compares with other sectors.